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*partnership  
for  
progress*

*How Rural Electric Utilities  
and USDA Are Building a  
Stronger Rural Economy*

## *Partnership for Progress*

The goal of the USDA Rural Development mission area is to help people in rural America develop sustainable communities and improve their quality of life. USDA believes rural Americans have a right to the same quality of life as is enjoyed by people who live in suburban and urban areas.

USDA Rural Development programs are delivered through three sister organizations: Rural Utilities Service (RUS), Rural Housing Service (RHS), and Rural Business-Cooperative Service (RBS). RBS provides financial and technical assistance to promote business opportunities in rural areas. RHS provides financing for new or improved housing in rural communities. RUS plays a leading role in improving the quality of life and promoting economic development in rural America by administering its Electric, Telecommunications, and Water and Environmental programs in a service-oriented, financially responsible manner.

### *Building Communities*

The RUS Electric Program promotes community improvement and is making a real difference in rural America. With a track record of more than 65 years, the Electric Program is a model public-private partnership effort. The success of this partnership depends not only on the funding provided, but also on the community development and leadership efforts provided by RUS borrowers. This joint effort provides the framework to build more viable rural communities.

The combination of local leadership and initiative provided by rural electric utilities is emerging as a vital economic engine in rural America. Academics, economists, and public officials have noted that electric distribution cooperatives have a compelling vested interest in the rural economy. They are not only locally organized and managed, but entirely dependent upon fee-for-service income from customers within a certain geographic area. This combination of private local ownership, local service, and a national network creates a powerful resource for rural people.

## ***Local Control***

RUS' support of community and rural economic development investment is based on the belief that local utility boards and managers are in a good position to identify local community development opportunities. RUS' role is to provide flexible policies and procedures that encourage such investment without jeopardizing loan security. USDA encourages RUS electric borrowers to engage in community and economic development by providing leadership and resources.

Current RUS Electric Program regulations provide borrowers the flexibility to invest or make loans and loan guarantees to support a variety of community improvement efforts. Some of these investments require RUS approval when the investment exceeds 15 percent of the utility's total utility plant while others are unrestricted. It is the policy of RUS to encourage such investments.

Regulations governing rural development investments may be found in RUS regulation, Subpart N of 7 CFR 1717 - Investments, Loans and Guarantees by Electric Borrowers, on the program homepage at <http://www.usda.gov/rus/electric/>.

Examples of rural economic development investments supported by RUS include (but are not limited to) the following:

- Energy resource and conservation loans;
- Rural development loans/grants;
- Water/wastewater systems;
- Satellite/cable TV;
- Natural/propane gas;
- Telephone/Internet;
- Power quality;
- Load management;
- Standby generation;
- Equipment leasing;
- Agricultural services;
- Housing;
- Industrial parks/organizations;
- Business incubator buildings;
- Public health/safety;
- Financing/revolving loan funds;
- Security services, etc.

## ***Creative Alternatives***

USDA recognizes that rural development investment does not necessarily mean investment of capital. Whether the investment takes the form of leadership, monetary contribution, or rural infrastructure development, RUS stands ready to promote such investment and act as a catalyst for private sector investment.

RUS supports the borrower community to help rural America meet the challenges of the future. A number of USDA Rural Development programs, including the RUS Distance Learning and Telemedicine Program (DLT), are tailored for co-op participation. For example, DLT is designed specifically to meet the educational and health care needs of rural America. Through loans, grants, and loan/grant combinations, advanced telecommunications technologies provide enhanced learning and health care opportunities for rural residents.

RUS also encourages borrower participation in the variety of programs offered by USDA Rural Development through our sister organizations, RHS and RBS. In addition, the Federal Government is seeking to form partnerships with other entities — such as State, local, and tribal governments, private and nonprofit organizations, and member-owned cooperatives — to revitalize rural areas. Rural Development programs are provided across the Nation through 47 State offices and 800 area and local offices.

## ***RUS Borrowers Make a Difference***

The following are some examples of RUS electric borrowers that are taking an active role in community development efforts:

**Cherokee Electric Cooperative of Northeast Alabama** obtained a \$200,000 grant from USDA to establish a revolving loan fund to support economic and community development. The money is loaned at low interest rates for a maximum of 80 percent of a project's cost, to be repaid within a 10-year period. Revolving loans have been made to: the Town of Cedar Bluff to purchase

and renovate a commercial building, creating 174 new jobs; the Town of Leesburg to finance a building for the Volunteer Fire Department and to develop an industrial park; the Town of Sand Rock to purchase a pumper truck for the Volunteer Fire Department; and Baker Enterprises to purchase a 20-kilowatt generator to provide backup power to a radio station for broadcasting during power outages caused by severe weather.

Consolidated Electric Cooperative (CEC) of central Ohio is diversifying, offering Internet service, satellite television programming, emergency response telephone, and security systems to its members. It is also making natural gas service available for the first time in the area. Much of this work is done through the co-op's two wholly owned subsidiaries, Bright Choice Inc. and Bright Energy Inc.

CEC recently provided leadership for an effort to bring clean, safe water to rural residents and two industrial parks in Marion and Morrow Counties. The cooperative was also instrumental in obtaining a \$330,000 grant from USDA to establish a rural development revolving loan fund. The first project financed by this fund is SoMoCo – a \$2.4 million wastewater and sewage treatment facility at the Interstate 71/State Route 61 interchange. With the necessary infrastructure in place – electricity, gas, water and sewage – several major projects have been announced, including the construction of a new, 100-resident nursing home facility.

South Carolina's Tri-County Electric Cooperative, Inc., began efforts to build a 50-acre industrial park off Interstate 26 south of Columbia. The cooperative, with the help of the Calhoun County Economic Development Commission, recruited Zeus Manufacturing Co. to locate its facilities on a 10-acre tract in the industrial park, creating over 300 jobs. Tri-County provided Calhoun County with a \$325,000 zero-interest loan to build a water store-

age tank for the new industrial park. This water system also provides water to the South Carolina Department of Transportation's rest area and other businesses and community residents. By providing water to the DOT rest area, the co-op was able to partner with Calhoun County to utilize the DOT's sewage system to serve the Industrial Park.

Minnesota Valley Electric Cooperative has joined forces with the Steele-Waseca cooperative to raise \$8,000 and organize a volunteer day to install electric service and security lights at the Singing Hill Girl Scout Camp in Waterville, Minn.

Nueces Electric Cooperative (NEC) of south Texas helped save HALO-Flight Helicopter Ambulance Service from a funding shortfall due to cutbacks in Medicare and Medicaid. The loss of this service meant that citizens in the rural counties surrounding Corpus Christi could wait up to 90 minutes for ambulance service, compared to 20-30 minutes with the helicopter ambulance. Such a long delay severely threatened the survival rate of rural residents.

Upon hearing of this need, the board of NEC mailed co-op members special election ballots to amend the articles of incorporation to form Nueces Charities.

The overwhelming support of 85 percent of the members voting spurred NEC to form a separate corporation to manage the money collected by rounding a customer's bill to the next whole dollar. One hundred percent of the rounded-up portion of the bill was donated to Nueces Charities.

More than 20 percent of the co-op members participate in the round-up program, raising over \$14,700 annually to support the helicopter ambulance service. This permanent source of funding provides the foundation for HALO-Flight Ambulance Service to continue service to rural Texas.

Serving five of North Carolina's poorest counties, Roanoke Electric Cooperative recognized the need to coordinate economic development efforts. What began in August 1998 as an application for a USDA Empowerment Zone / Enterprise Community designation has grown into a major community initiative: Roanoke Chowan Partners for Progress (RCPP). Today's RCPP has grown more than 90 partners with 30 organizations providing services. These services include assisting in job fairs, preparing local citizens for job interviews, and helping write grant proposals. It is also the first electric distribution cooperative in the country to participate in USDA's Intermediary Re-lending Program, which will provide financing for the creation and expansion of small businesses in the area.

As these examples show, many RUS electric borrowers have become involved in community and economic development, *recognizing that it is in their business interest to do so*. This is particularly true in a period of electric utility industry restructuring, because the commitment of local electric utilities to their community engenders customer loyalty. Coupled with the fact that many borrowers are cooperatives, which are owned by the customers they serve, this commitment can create a tremendous competitive advantage. Accordingly, RUS joins other industry lenders and trade associations in encouraging investment in community and economic development.

RUS congratulates and commends all its rural electric borrowers who are making a difference in their local communities by being major contributors to rural economic development activity and construction projects. RUS also encourages borrowers less active in this area to become more involved in community efforts to improve the quality of life for all residents. It is just such stewardship by borrowers who become rural business and community leaders that elevates the Rural Utilities Service program to one of the most effective public-private partnership programs this country has seen in the past 65 years.

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## *Want More Information?*

We encourage you to visit the Rural Development and Rural Utilities Service home pages at:

Rural Development  
<http://www.rurdev.usda.gov/>

Rural Utilities Service  
<http://www.usda.gov/rus/>

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